

Fairfax County Economic Index

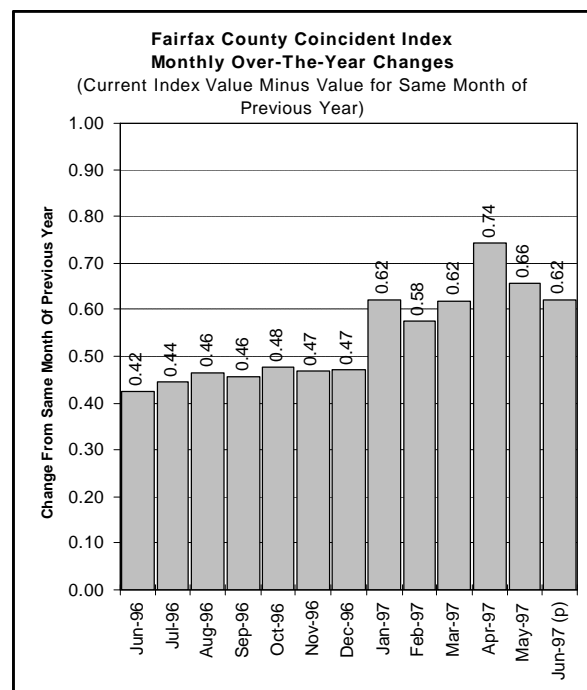
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Economy Up Slightly in June, Outlook Remains Good

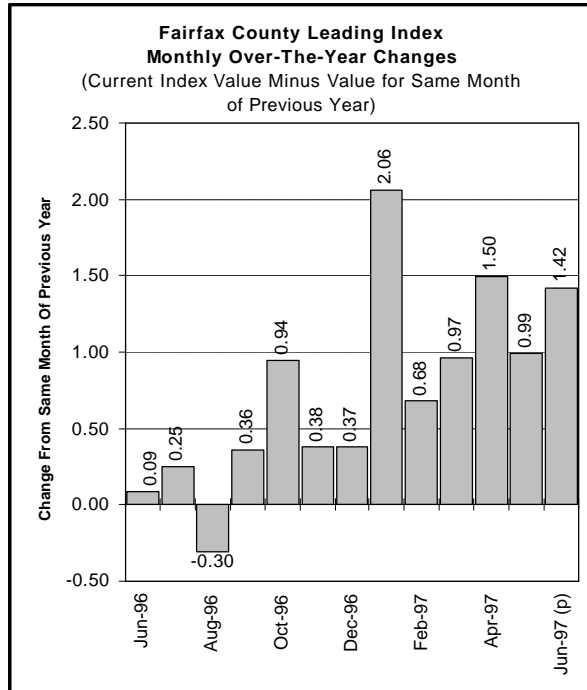
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased 0.01 percent in June extending its immediate positive trend to a fourth month. While the Index's month-to-month growth has been marginal for the past two months, year-to-date and monthly over-the-year gains in the Coincident Index show the County's economy to be strong and trending up. For the first half of 1997, the Index has gained 0.29 percentage points and, since June 1996, it is up 0.62 points. The positive growth trend over this period, with only minor monthly variation among individual components, provides a good measure of the economy's soundness. In June, two of the Index's four components were positive.

- Transient Occupancy Tax collections were up following last month's decline and, compared to June 1996, have achieved a real gain of 22.1 percent; and
- Consumer confidence increased for a fourth consecutive month and now stands at its highest post-recession level; while
- Total employment decreased slightly following eight consecutive monthly gains; and
- Sales tax receipts decreased for a second month and have declined 3.8 percent compared to June of 1996.



Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, increased 0.22 percent in June, following a slight decrease in May. Year-to-date, the Leading Index has gained 1.18 percentage points and it is up 1.42 points from June 1996. This strong upward trend points to continuing economic expansion



Source: GMU Center for Regional Analysis.

through the first quarter of 1998. In June, three of the Index's five components contributed to its gain.

- New automobile registrations were up sharply for the second time in three months;
- Initial claims for unemployment insurance declined (improved) for the second consecutive month and the fifth time in six months; and
- The mean value of residential building permits increased for the second month and for the fifth time in six months; but
- Consumer expectations (consumer confidence six months hence) decreased slightly following a significant gain in May; and
- Residential building permits dropped for the second month in a row and for the fifth time this year.

We are on the web at:

www.co.fairfax.va.us/comm/economic/economic.htm

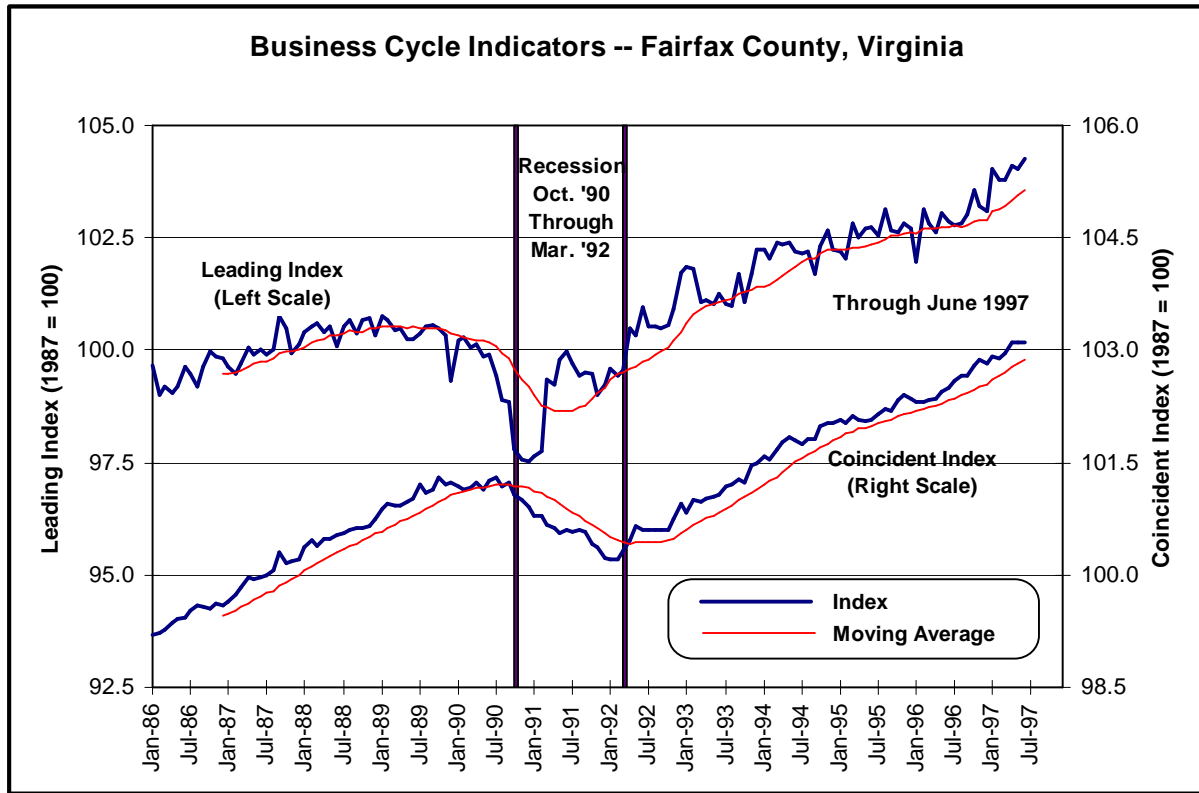
CURRENT CONDITIONS

The County's economic performance in June reflected a combination of cyclical and seasonal forces. The recovery has now spanned more than five years with the County economy sustaining almost continuous expansion over this period. Coming out of the short recession in 1992, the County's Coincident Index has remained well above its 12-month moving average indicating that gains in the current period continue to outpace the historical growth trend.

Periodically, this pattern of continuing growth has included months in which the indicators have registered a mixed performance. June's performance reflects several mixed signals as had been found in May. Employment growth from May to June totaled an estimated 5,392 jobs but, on a seasonally adjusted basis, the employment base in the County actually lost 394 jobs. This weak performance is typical of June in which the majority of net new job growth is driven by seasonal demand. A better measure of the economy's job growth performance is provided by the monthly over-the-year comparison; for the 12 months ending in June, Fairfax County's employment base has added 18,386 net new jobs, a gain of 4.24 percent, double the national average job growth rate.

The down side of this strong job growth is a tighter labor market. Initial claims for unemployment insurance are down in five of the year's first six months and off 14.1 percent for the last 12 months. Unemployment is also down and stood at 2.4 percent in June.

Still, in spite of solid job and payroll growth and with consumer confidence continuing to set new records, consumer spending in the County has lagged. As measured by retail sales tax receipts, the real (inflation adjusted) value of retail sales in Fairfax County in June was 3.8 percent below same-month sales in 1996; June's seasonally adjusted retail sales were also down from May. This trend is not restricted to Fairfax County but is national in scope. One major reason for slower retail sales is high consumer debt. Also, the heat wave hit early this year and June weather was less



Source: GMU Center for Regional Analysis.

favorable to shopping than in June last year. Still, retail spending is expected to accelerate before summer's end and conditions appear favorable for strong holiday sales in the fourth quarter.

NEAR-TERM OUTLOOK

The Leading Index continues to point to further economic growth although the rate of future growth could moderate slightly as the business cycle runs its course. As long as interest rates remain low (the Federal Reserve is not likely to raise rates before November if at all this year), the County's economy should maintain its current growth path.

However, several important indicators have demonstrated increased volatility in recent months and bear watching. New automobile registrations (sales) lagged earlier in the year but rebounded in April and June. With the 1998 models being introduced over the next several months, sales should be strong. However, residential building permits have lagged behind same-month levels in five of

the year's first six months but their mean price has risen. With consumer expectations trending slightly downward, the level and mix of consumer spending in the coming months could undercut the economy's potential for continued expansion. The performance of the stock market, which appears to be undergoing a long-anticipated correction, could further undercut consumer spending as confidence ebbs with the market's growing uncertainty.

Regardless of these short-term dynamics, the Fairfax County economy is strong and appears well positioned to carry its positive growth trend in to next year. Given the overall health of the County's economy, it would take a major shock to the national economy to reverse this growth pattern in the near term.

IMPACT ON COUNTY REVENUES

While the County's economy, as measured by the Coincident Index, is experiencing an expansion, County revenue sources are expected to continue to experience moderate growth.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Jun-97 Prelim.	May-97 Final	Jun-96 Final	May-97 to Jun-97	Jun-96 to Jun-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.11	103.10	102.49	0.01	0.61
Leading Index (1987 = 100)	104.27	104.04	102.85	0.22	1.38
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	445,838	446,232	427,712	-0.09	4.24
<i>Total Covered Employment (Unadjusted)</i>	<i>452,227</i>	<i>446,835</i>	<i>433,841</i>	<i>1.21</i>	<i>4.24</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	279.57	276.09	228.95	1.26	22.11
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>347.02</i>	<i>379.58</i>	<i>277.71</i>	<i>-8.58</i>	<i>24.96</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	6,525.03	6,727.81	6,783.41	-3.01	-3.81
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,669.44</i>	<i>8,445.19</i>	<i>9,034.28</i>	<i>2.66</i>	<i>-4.04</i>
South Atlantic Consumer Confidence	163.60	159.50	139.20	2.57	17.53
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	5,432	4,272	4,862	27.13	11.72
<i>Automobile Registrations (Unadjusted)</i>	<i>6,118</i>	<i>4,716</i>	<i>5,476</i>	<i>29.73</i>	<i>11.72</i>
Initial Unemployment Claims (Seasonally Adjusted)	801	819	932	-2.19	-14.12
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>760</i>	<i>750</i>	<i>885</i>	<i>1.33</i>	<i>-14.12</i>
South Atlantic Consumer Expectations	116.0	117.6	97.0	-1.36	19.59
Residential Building Permits (Number of Units, Seasonally Adjusted)	421	511	1,570	-17.57	-73.17
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>477</i>	<i>539</i>	<i>1,778</i>	<i>-11.50</i>	<i>-73.17</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjusted)	78,967	77,846	36,530	1.44	116.17
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>108,874</i>	<i>104,005</i>	<i>49,305</i>	<i>4.68</i>	<i>120.82</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	528,331	527,331	#N/A	0.19	#N/A
<i>Total Labor Force (Unadjusted)</i>	<i>536,488</i>	<i>529,430</i>	<i>#N/A</i>	<i>1.33</i>	<i>#N/A</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.40	2.43	#N/A	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.70</i>	<i>2.45</i>	<i>#N/A</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

Inquiries should be directed to:

The Fairfax County
Office of Management and Budget
12000 Government Center Parkway
Fairfax, Virginia 22035-0074

(703) 324-2391 or 1-800-828-1120 (TDY)